RESIDENTIAL COMMUNITIES INITIATIVE (RCI)

ARMY RCI "PRIVATIZATION 101" AT PHMA PDS XVI

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Headquarters, Department of the Army

RESIDENTIAL COMMUNITIES INITIATIVE (RCI)

SOLUTION TO FIX FAMILY HOUSING IN THE U.S.

VISION -- Quality residential communities for Army families on post

GOAL -- Eliminate inadequate Family Housing in the U.S. in conjunction with Military Construction and Basic Allowance for Housing increases

Old Hillside Proposed Transformation

RESIDENTIAL COMMUNITIES INITIATIVE (RCI)

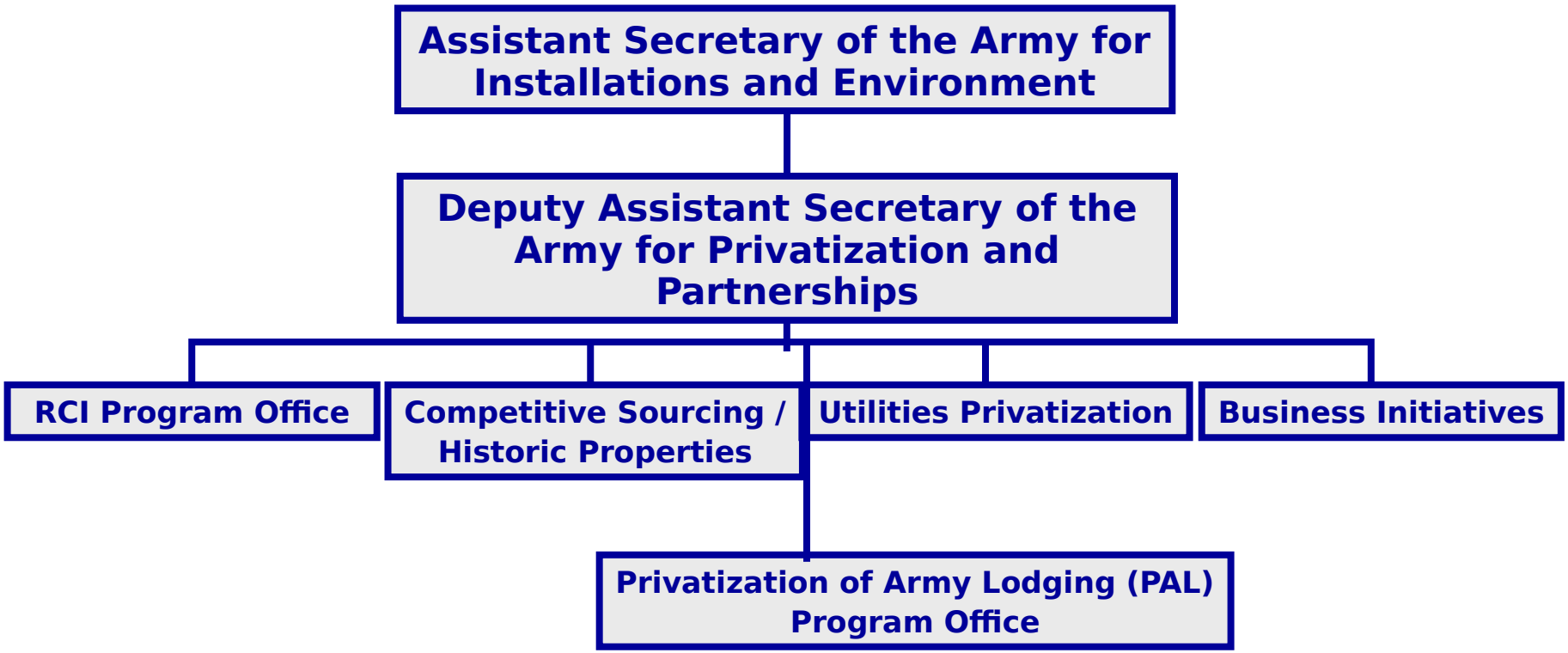
SOLUTION TO FIX FAMILY HOUSING IN THE U.S.

PROGRAM OBJECTIVES

- Eliminate revitalization / deficit backlogs
- Sustain adequate housing
- Leverage assets / scarce funds
- Attract quality partners
- Obtain private sector expertise, creativity, innovation, capital
- Ensure reasonable profits
- Establish incentive based fees
- Develop partnerships with local (large / small) businesses
- Protect Army / soldier interests with a Portfolio / Asset Mgt program

ARMY PRIVATIZATION & PARTNERSHIPS

RCI PLANS & EXECUTION CENTRALIZED AT HQDA


Assistant Secretary of the Army for Installations and Environment
Deputy Assistant Secretary of the Army for Privatization and Partnerships
RCI Program Office
Competitive Sourcing / Historic Properties
Utilities Privatization
Business Initiatives
Privatization of Army Lodging (PAL) Program Office

RCI PROCESS

PROJECT CONCEPT TO TRANSFER

Prepare / Issue / Award RFQ* Solicitation

- Develop concept
- Start NEPA / surveys
- Start assessments
- Conduct due diligence
- Prepare 2-step RFQ
- Notify Congress
- Issue solicitations
- Conduct training
- Conduct evaluations
- Award project

Develop CDMP** / Obtain Approvals

- Conduct training
- Develop / resolve issues
- Complete NEPA
- Complete assessments
- Complete surveys
- Submit CDMP to HQ Army
- Obtain Army approval
- Finalize scoring estimate
- Obtain OSD / OMB approvals

Notify Congress

- Notify Congress
  - Project / CDMP -- 45 days
  - Reprogramming scoring $ into OSD account -- 30 days

Transition to Partner Operations

- Issue Transition Notice
- Complete documents
- Close deal
- Start partner mobilization
- Start agreement oversight
- Start Portfolio / Asset Mgt
- Transfer Assets / Opns

Oversee CDMP Execution

- Execute CDMP
- Continue oversight
- Continue Port / Asset Mgt
- Collect BAH

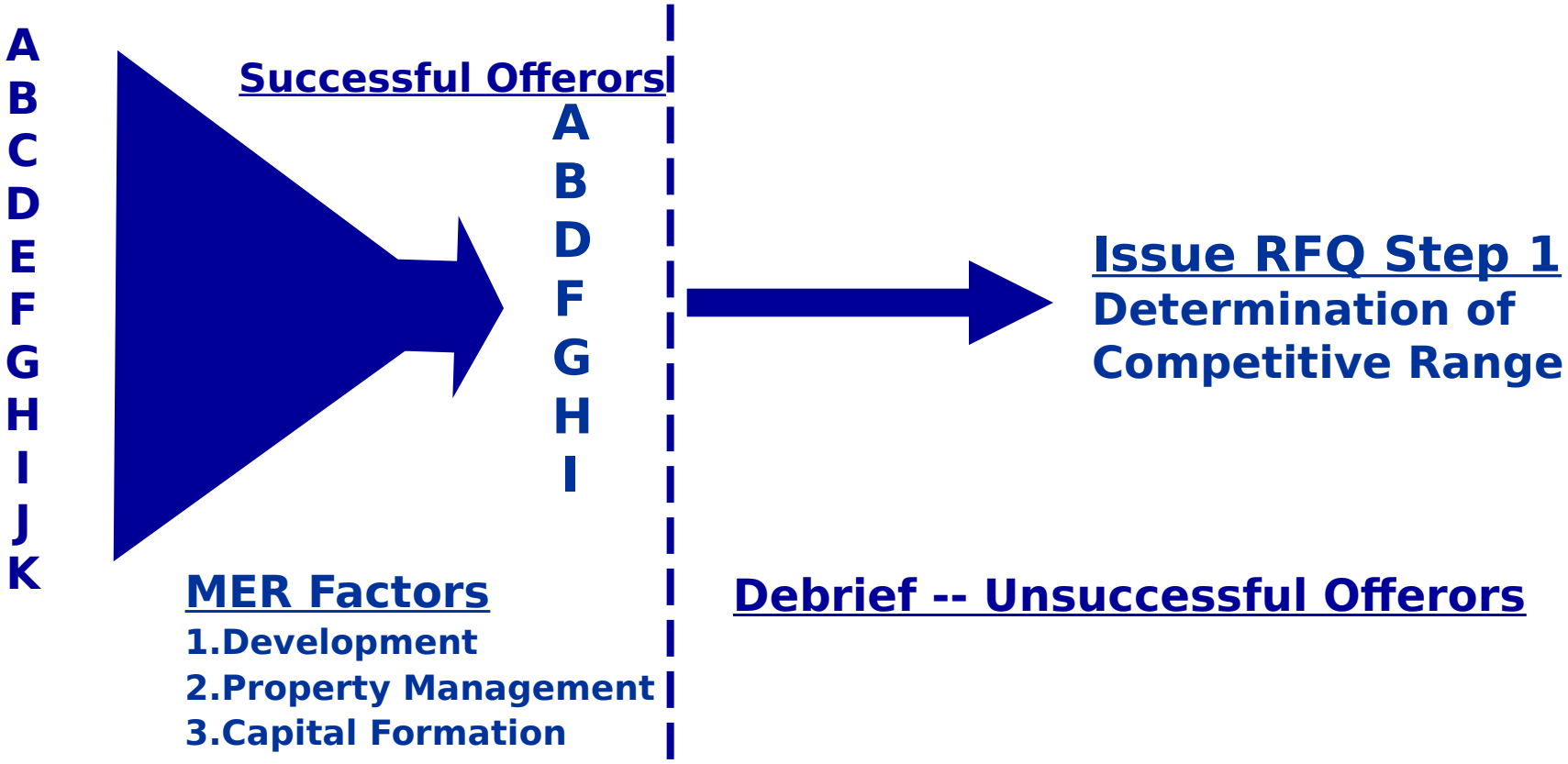
* Request for Qualifications

** Community Development and Management Plan

RCI PROCESS

STREAMLINED PROCUREMENT (INITIAL SCREEN)

Minimum Experience Requirements (MER) Evaluation



RCI PROCESS -- STREAMLINED PROCUREMENT

Establish Competitive Range for a Group that has Multiple Projects (MEB)

Bidders

A
B
D
F
G
H
I

Step 1 Evaluation Factors (5)

Bidders Who Make Competitive Range

A
B
F
H
I

STEP 1 -- 5 FACTORS

1 -- Experience
2 -- Financial Capability
3 -- Organizational Capability (Corporate)
4 -- Past Performance
5 -- Small Business (Past Use)

Select Partner (from Range) Who Bid on Group Projects (4-Project Group Example)

Step 2 Evaluation Factors (4)

Fort W (D Day)
Bidders: B, F, H
Winner: H

Fort X (D+90)
Bidders: A, B, I
Winner: A

Fort Y (D+180)
Bidders: B, F, H
Winner: B

Fort Z (D+270)
Bidders: A, H, I
Winner: I

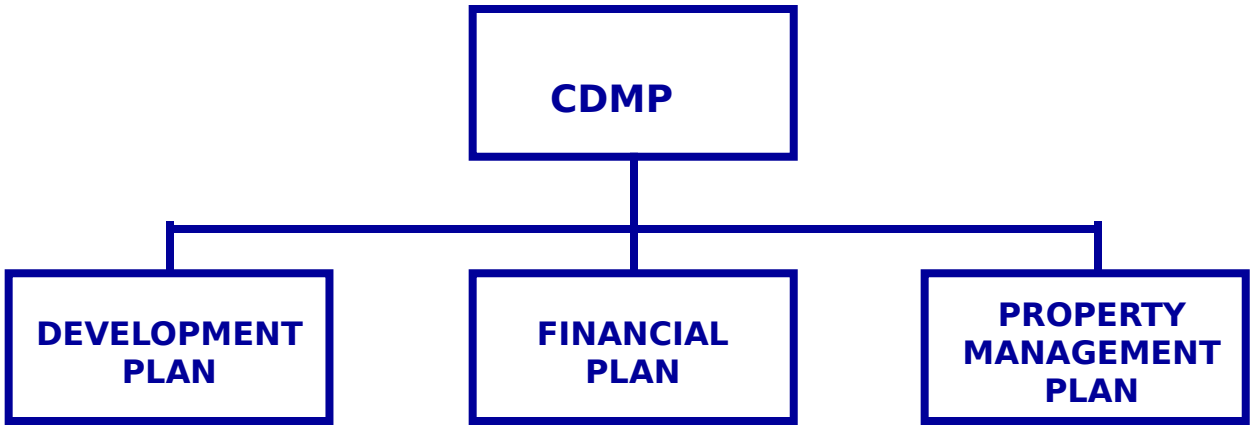
STEP 2 -- 4 FACTORS

1 -- Preliminary Concept
2 -- Financial Return
3 -- Organizational Capability (Installation)
4 -- Small Business (Proposed Use)

AFTER BIDDERS MEET MIN EXPERIENCE RQMNTS

RCI PROCESS

CDMP COMPONENTS -- 3 MAJOR SECTIONS / PLANS



- Master plan
- Renovation / construction
- Subcontracting / small business
- NEPA
- Schedule

- Life-cycle cash flow
- Sources / uses
- Balance sheet
- Transactional instruments

- Operations
- Maintenance standards
- Organization / staffing
- Transition

RCI PROCESS

PORTFOLIO / ASSET MANAGEMENT (PAM) PROGRAM

PROTECTING ARMY / SOLDIER INTERESTS FOR 50+ YRS

- **Program designed to:**
  - **Monitor health of RCI Portfolio**
  - **Report to stakeholders on program and projects for next 50+ years**
- **Comprised of:**
  - ***Asset Management*** **-- Day to day oversight / protection of housing assets / operations of a specific project -- at** ***Installation Level***
  - ***Portfolio Management*** **-- Oversight / protection of housing assets and operations across entire portfolio of RCI assets -- at** ***HQ Level***

RCI PROCESS -- RESULTING DEALS

- **Privatization projects are complex / multi-$B, 50-year deals**
- **Army out-leases underlying land; transfers title of improvements**
- **Partner collects rents equivalent to Basic Allowance for Housing (BAH)**
- **Limited Liability Corporations / Limited Liability Partnerships are used by Army to "partner" with Development Partners**
- **CDMP / Land Lease documents provide details of the deal**

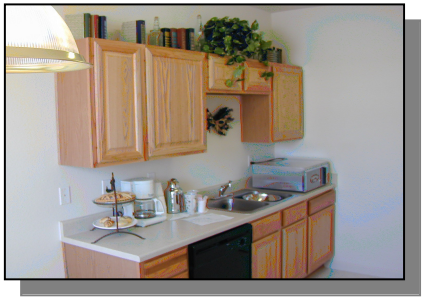
1ST 9 PROJECTS TRANSFERRED TO PARTNER

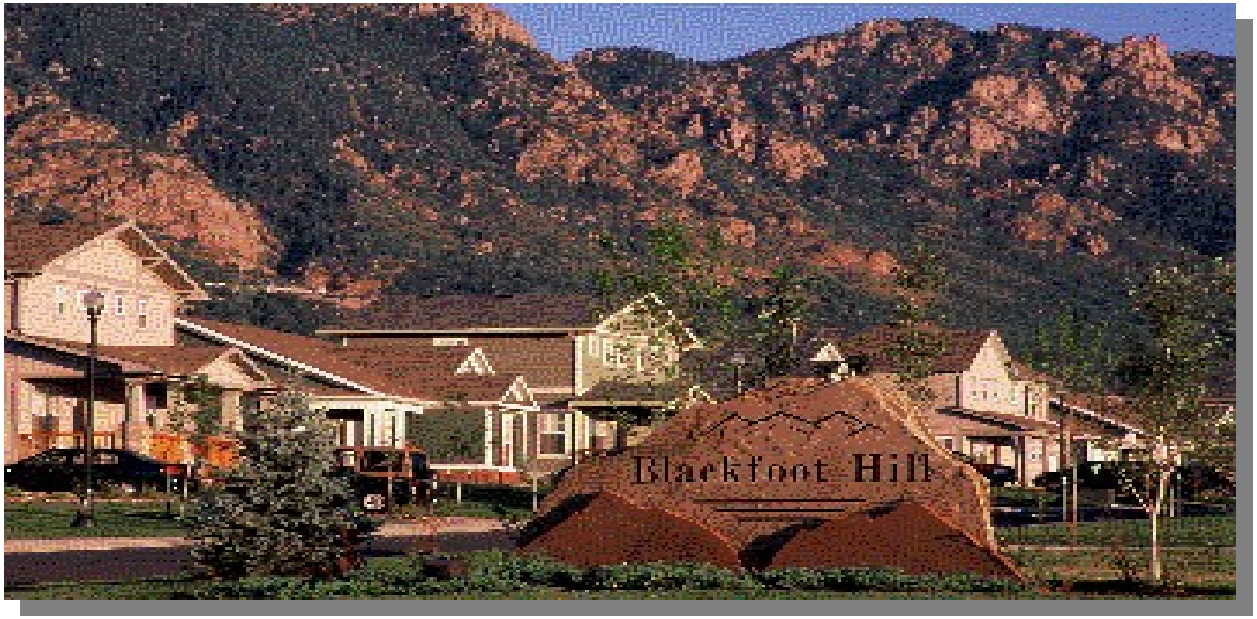
Project / End State Inventory Govt Invest / Initial Scope / Period	Status	
Ft Carson $10.1M / $229M	/ 2,663 / 5 years	TRANSFERRED TO PARTNER NOV 1999 - Out of 840 deficit, 840 built - >1,200 renovations completed
Ft Hood $52.0M / $266M	/ 5,912 / 5 Years	TRANSFERRED TO PARTNER OCT 2001 - Out of 290 deficit, 192 built - 274 replacements ongoing - 224 renovations completed
Ft Lewis $0	/ 4,001 / $321M / 10 years	TRANSFERRED TO PARTNER APR 2002 - Out of 345 deficit, >190 built - >260 redevelopments ongoing
Ft Meade $0	/ 3,170 / $461M / 10 years	TRANSFERRED TO PARTNER MAY 2002 - Out of 308 deficit, 126 ongoing - 925 upgrades completed

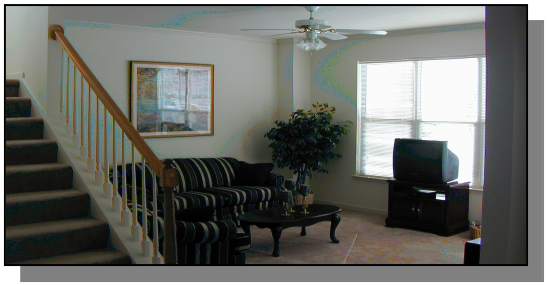
1ST 9 PROJECTS TRANSFERRED (CONTINUED)

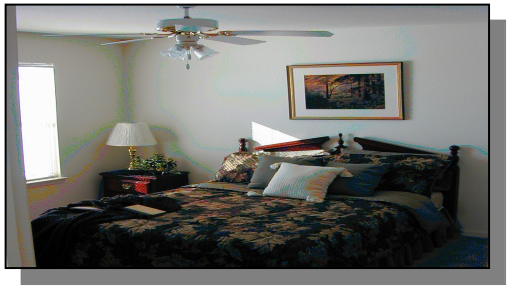
Project / End State Inventory Govt Invest / Initial Scope / Period	Status	
Ft Bragg / 5,578 AUG 2003 $49.4M / $434M/ 10 years	TRANSFERRED TO PARTNER	
Pres of Mont-NPS / 2,209 OCT 2003 $0 / $588M/ 8 years	TRANSFERRED TO PARTNER	
Ft Stewart-HAAF / 3,702 NOV 2003 $37.4M / $357M/ 8 years	TRANSFERRED TO PARTNER	
Ft Campbell / 4,255 $52.2M / $243M/ 9 years	TRANSFERRED TO PARTNER	DEC 2003
Ft Belvoir / 3,179 $0 / $688M/ 8 years	TRANSFERRED TO PARTNER	DEC 2003

FORT CARSON DEVELOPMENT









FORT HOOD DEVELOPMENT

FORT LEWIS RIBBON-CUTTING CEREMONY

FORT MEADE DEVELOPMENT

8 MORE PROJECTS AWARDED (CDMP PHASE)

Project / End State Inventory		Status
Ft Irwin-Moffett-Parks 2002	/ 3,052+200 UPH	PARTNER SELECTED SEP
Ft Eustis-Story	/ 1,124	PARTNER SELECTED JAN 2003
Ft Hamilton	/ 228	PARTNER SELECTED APR 2003
Ft Polk	/ 3,821	PARTNER SELECTED APR 2003
Walter Reed-Ft Detrick	/ 963	PARTNER SELECTED JUL 2003
Ft Shafter-Schofield Brks 2003	/ 7,768	PARTNER SELECTED AUG
Ft Leonard Wood 2003	/ 2,472	PARTNER SELECTED NOV

1st 17 Projects: $380M Govt Investment → $7B in Private Initial Dev

CURRENT PLAN -- 26 PROJECTS -- A RECAP

73,731 Family Housing Units
>80% of U.S. Owned Inventory

Houses)

- Fort Carson, CO - 1999
- Fort Hood, TX - 2001
- Fort Lewis, WA - 2002
- Fort Meade, MD - 2002
- Fort Bragg, NC - 2003
- Pres of Monterey-Naval PS, CA - Oct 2003
- Fort Stewart-Hunter AAF, GA - Nov 2003
- Fort Campbell, KY
- Fort Belvoir, VA -

8 Projects Awarded -- Transfer Date (22,944 Houses)

- Fort Irwin-Moffett Fed AF-Cp Parks, CA - Feb 2004
- Forts Eustis-Story, VA - Apr 2004
- Fort Hamilton, NY - May 2004
- Fort Polk, LA - Jun 2004
- Walter Reed AMC, DC / Fort Detrick, MD - Aug 2004
- Fort Shafter
- Fort Leonar
- Fort Drum,

2003 Solicitations (4,509 Houses)

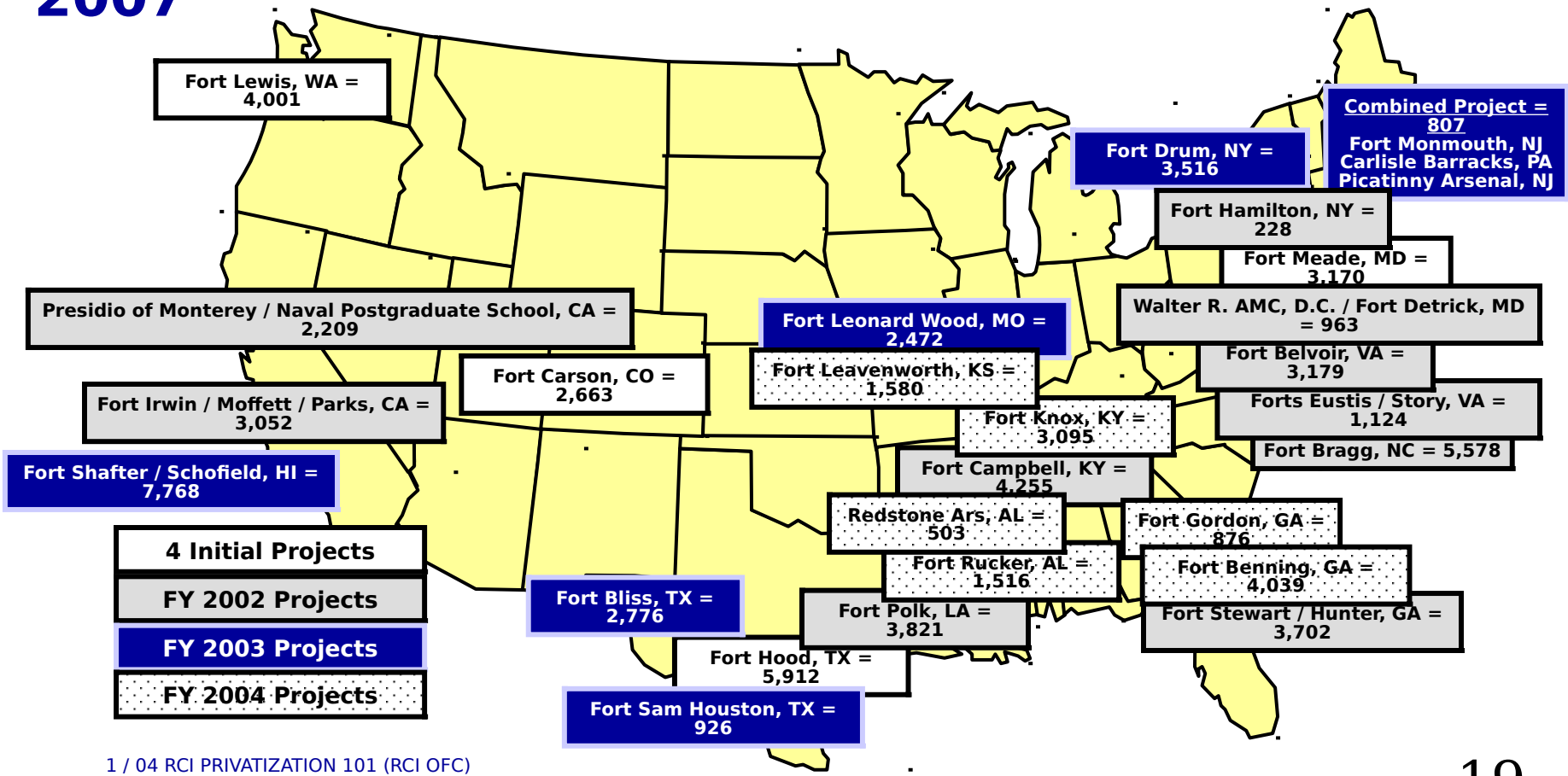
- Fort Sam Houston, TX
- Fort Monmouth / Picatinny Arsenal, NJ-Carlisle Barracks, PA
- Fort Bliss, TX

2004 Solicitations (11,609 Houses)

- Fort Benning, GA
- Fort Knox, KY
- Fort Rucker, AL
- Fort Leavenworth, KS
- Fort Gordon, GA
- Redstone Arsenal, AL

CURRENT RCI PLAN

26 PROJECTS (73,731 HOMES) -- TRANSITIONED BY 2007


Fort Lewis, WA = 4,001
Presidio of Monterey / Naval Postgraduate School, CA = 2,209
Fort Irwin / Moffett / Parks, CA = 3,052
Fort Shafter / Schofield, HI = 7,768
Fort Carson, CO = 2,663
Fort Bliss, TX = 2,776
Fort Sam Houston, TX = 926
Fort Hood, TX = 5,912
Fort Leonard Wood, MO = 2,472
Fort Leavenworth, KS = 1,580
Fort Knox, KY = 3,095
Fort Campbell, KY = 4,255
Redstone Ars, AL = 503
Fort Rucker, AL = 1,516
Fort Polk, LA = 3,821
Fort Drum, NY = 3,516
Combined Project = 807
Fort Monmouth, NJ
Carlisle Barracks, PA
Picatinny Arsenal, NJ
Fort Hamilton, NY = 228
Fort Meade, MD = 3,170
Walter R. AMC, D.C. / Fort Detrick, MD = 963
Fort Belvoir, VA = 3,179
Forts Eustis / Story, VA = 1,124
Fort Bragg, NC = 5,578
Fort Gordon, GA = 876
Fort Benning, GA = 4,039
Fort Stewart / Hunter, GA = 3,702
4 Initial Projects
FY 2002 Projects
FY 2003 Projects
FY 2004 Projects

ATTRACTIVENESS OF PROJECTS AND LOCAL (LARGE / SMALL) BUSINESS PARTICIPATION

- **Predictable revenue streams from BAH**
- **High demand for on-post housing; low-cost land / infrastructure**
- **Alignment of the developer's and Government's goals**
- **Availability of financial / other privatization authorities**
- **Flexible project that holds assurances for developer / Government**
- **Big increase in work, supplies and materials for local businesses; RCI Partners are:**
  - **Partnering with local communities / businesses**
  - ***Subcontracting 60%-70% of work, supplies and materials locally***

STILL LOTS OF LESSONS / CHALLENGES AHEAD

- **Statutory limitation on budget authority DoD-wide**
- **CBO / OMB issues and concerns**
- **Ability to transfer revenues from one project to another**
- **Internal to the Army (and maybe to others)**
  - **Footprint Decisions**
  - **Environmental Issues**
  - **Requirements Determination**
  - **Historic Properties**
  - **Utilities Privatization Impacts**
  - **Impact on Schools**
  - **Utilities Policy Implementation**
  - **Residual Staffing**
  - **Resident Insurance**

ASSESSMENT OF RCI

- **Fixes family housing in U.S.**
- **Obtains private expertise / capital to solve housing problems**
- **Shifts focus from "Houses" to "Quality Residential Communities"**
- **Streamlines procurement process**
- **Shows positive results at 1st 17 projects; 9 more in queue**
- **Assures long-term sustainment of adequate housing**
- **Allows for more local (large and small) business participation**
- **Increases well-being of ~74,000 soldiers and their families**
- **Protects our interests with a Portfolio / Asset Management Program**

OUR MILITARY
PROTECTING THE AMERICAN DREAM

RCI ALLOWS THE MILITARY FAMILY TO LIVE THAT DREAM

Visit Our Web Site at http://rci.army.mil

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